

**Jack McHugh Testimony on House Bills 5040 to 5046
House Committee on Michigan Competitiveness**

Oct. 11, 2017

Born as a revenue-grab in the economic decline that created the ‘forgotten American worker,’ that class has suffered the most under Michigan’s 2003 “bad driver tax.”

Thank you Mr. Chairman and members of the committee.

This legislation is needed to solve a problem that never should have been created in the first place.

I’m going to quickly share some background on the environment in which this “bad driver tax” was born: A desperate hunt for revenue to avoid real budget reforms, in the midst of a secular economic shift that was being treated as just a cyclical “bad patch.”

18 months after these fees became law, Larry Reed, the first President of the Mackinac Center, described both the state’s economic decline and legislature’s response in a speech called *Michigan at the Crossroads*. He said:

“...(W)e can no longer evade difficult decisions in the hope that we can muddle through, or that a miraculous change in our economic environment will save us.”

Reed shared some statistics to illustrate:

“Michigan was one of just two states to lose jobs in 2004.

“From 1993 to 1997, Michigan’s per-capita state GDP was 18th in the nation, but by 2003 we had fallen to 44th place.

“Michigan is traditionally a wealthy state, but by 2003, our per-capita personal income had dropped to 19th in the nation.”

Larry Reed was more right than perhaps even he realized at the time:

In January of 2000, 883,000 Michigan workers were employed in manufacturing. By July of 2003 – the month the “bad driver tax” passed the House and Senate with substantial bipartisan majorities – that had plummeted to 687,000. The all-time low was 432,000 in 2009.

Michigan Capitol Confidential reported this week that manufacturing employment is back up to 611,000, its highest level since 2007 - but still lower than the summer of 2003.

Back to Larry Reed in early 2005:

“(Muddle through) has been the approach in Lansing for the past few years... State leaders have become increasingly adept at accounting gimmicks and cosmetic fixes that optimize revenues but minimize spending discipline. They are treating the symptoms, rather than the disease.”

The unfair tax you are trying to repeal now was just one of those harmful gimmicks. Here are two others, one each from the year before and the year after this one was passed:

In 2002 it was, "Let's terminate the phase-out of the Single Business Tax with sneaky maneuvers." Here's how MichiganVotes.org called that game:

2002 House Bill 5883: End phase-out of SBT - Public Act 504 of 2002

To withdraw \$892 million from the Budget Stabilization Fund, leaving a balance of just \$33 million. Under current law an ongoing phase-out of the Single Business Tax (SBT) is postponed if the BSF falls below \$250 million. Senate Bill 117 would allow the SBT cuts to continue by lowering that threshold, and an earlier version of this bill was tie-barred to SB 117. But the tie-bar is no longer in this version, and Gov. Engler has said he will veto SB 117, so passage of this bill means no further SBT cuts.

In 2004 it was "Let's ding middle class homeowners with a sneaky property tax shift-and-shaft." Again from MichiganVotes:

2004 Senate Bill 1112: Advance county tax due-date - Public Act 357 of 2004

To require counties to collect future property tax payments in the summer only, beginning in 2004, thereby requiring taxpayers to pay county taxes five months earlier. The \$183 million realized by the tax shift will replace state revenue sharing payments to counties for the next several years.

And in 2003 it was Senate Bill 509: Impose "driver responsibility fees."

To conclude, the class of "forgotten American workers" that was being born when this "bad driver tax" law was enacted may have become self-aware on Nov. 8, 2016. They are the very people who have been most impacted by these unfair exactions, with thousands losing their license and being turned over to collection agencies. We'll see if they notice that the Republican trifecta elected here in 2010 was a lot quicker to clean up the business tax mess, which got done in 2011.

And if this mess doesn't also get cleaned up now, that class will surely notice, and may go looking for more opportunities to flex their political muscles in 2018.

Thank you again for the opportunity to testify.

Also posted at <http://www.mackinac.org/24051>